



CORPORATE
GOVERNANCE
REPORT
2022



'Our holistic approach to corporate governance, at both divisional and group level, remains focused on ensuring that the businesses and affairs of the group are managed in a responsible and ethical manner, to assist with the creation of value in the short, medium and long term, for the benefit of all stakeholders.'

Gary Chaplin
Chief executive officer

INSPIRING PEOPLE.
ENABLING BUSINESS.
CREATING VALUE.

BEING THE CHANGE

This corporate governance report contains details of the approach adopted by KAP Industrial Holdings Limited ('KAP' or 'the company') in ensuring application of the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 ('King IV™')* during the financial year ended 30 June 2022.

At KAP we recognise that corporate governance forms an integral part of our strategy, enterprise risk management and overall sustainability.

Further information regarding these themes can be found in our integrated report.

[Read more](#)

GOVERNANCE APPROACH

KAP is committed to high standards of governance that are consistent with regulatory requirements and evolving best practices based on its corporate values. Corporate governance is fully integrated and aligned with the company's strategy and risk appetite. Effective corporate governance is not only about overseeing the company's activities and practices, but also doing so in a way that creates enduring value for stakeholders.

It involves the board understanding the challenges and opportunities of a changing industry and economy, knowing our business and our risks, and setting robust standards and principles that will guide the company to ensure we are constantly enhancing value for stakeholders.

We view corporate governance as an integral part to ensure KAP remains a good corporate citizen while we pursue our strategic objectives.

Application of King IV™

KAP maintains a high standard of corporate governance, as evidenced by the ratings of various environmental, social and governance ('ESG') agencies and proxy-voting advisors. The general principles of the King Committee on Corporate Governance regime have been incorporated into the group's structures for many years. During the year under review, the group continued to apply the corporate governance principles and

recommended practices as advocated in King IV™ on a holistic, substance-over-form basis. This approach serves KAP better than a mechanistic tick-box approach, in that it accommodates the achievement of the recommended King IV™ outcomes by applying, in some instances, practices other than those specifically detailed in King IV™.

The company has also applied the principle of materiality, as suggested by King IV™, in relation to the inclusion of information in this report and our integrated report, which could substantively affect the organisation's ability to create value over the short, medium and long term.

Where necessary, policies, procedures, terms of references, charters, frameworks and structures as approved by the board are amended from time to time to refine alignment with the latest prescripts of King IV™, changing statutory requirements, and business imperatives.

Corporate governance performance

At KAP, we believe in being the change that is needed in the world by making a positive contribution to society, the environment and the economy through our activities. We believe that by focusing deliberately on the addressing of ESG matters, we contribute to the long-term sustainability of our business. A review of our performance in contributing to the United Nations Sustainable Development Goals ('UN SDGs') is provided in our integrated report.

Our transparent disclosures and open communication continue to be reflected in our independent ESG ratings.

Independent ESG ratings

We maintained our FTSE4Good corporate governance score of 3.9/5 against the industry score of 3.4/5.

FTSE4Good 3.9/5

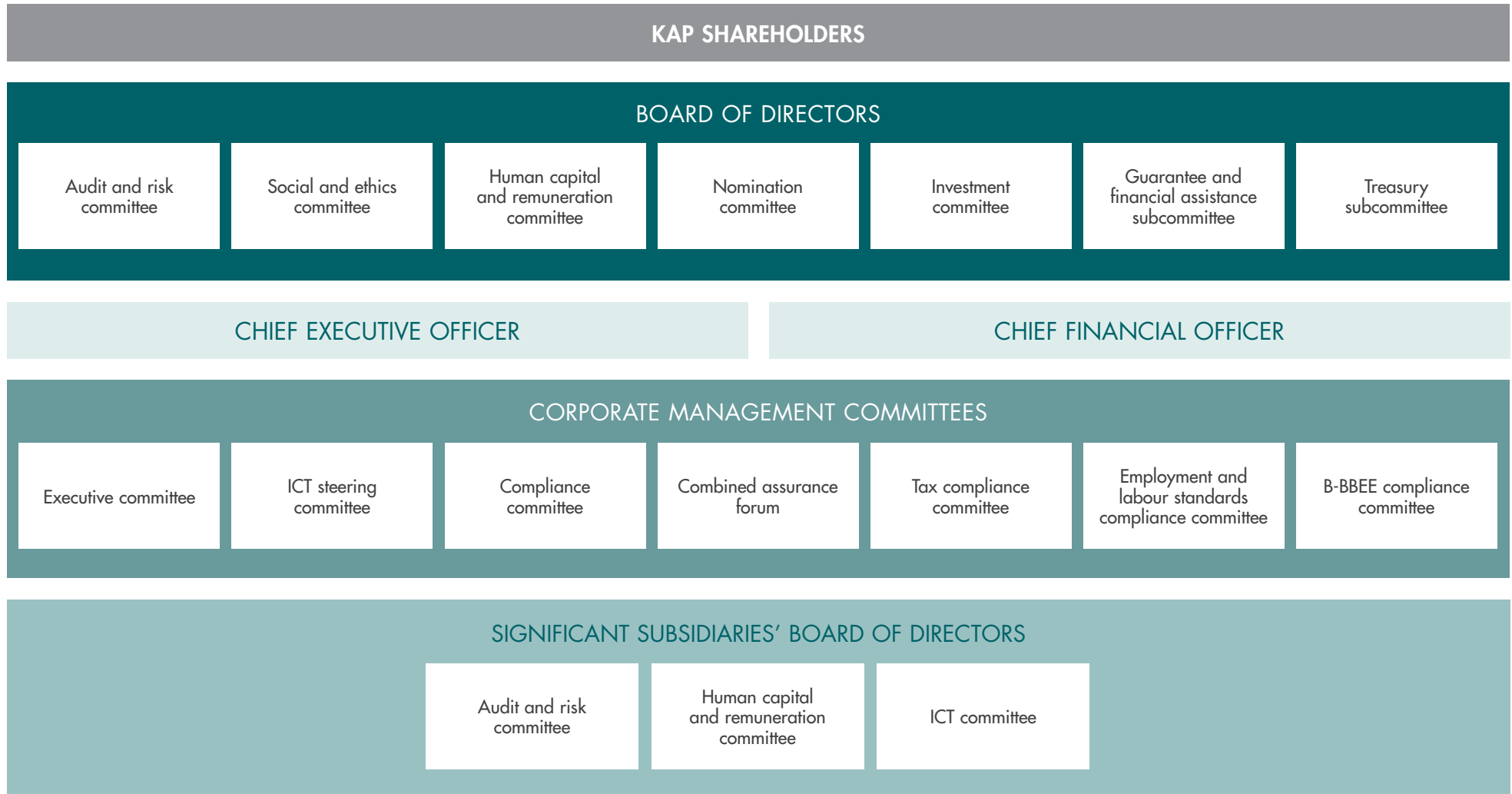
CORPORATE GOVERNANCE FRAMEWORK

The corporate governance framework provides an overview of the corporate governance structures of the board, which together enable KAP to meet its statutory and regulatory requirements. The purpose of the framework is:

- to provide the guiding principles and the statutory and regulatory framework that underpin the principles of effective corporate governance;
- to set out the governance structures and role players, including board committees, divisional boards and divisional board committees (which each has its own charter that clearly defines the responsibility, accountability and liability of each constituent and is regularly reviewed);
- to provide an approval framework for the board and the divisions through which authority is delegated to management and the concentration risk of decision-making is mitigated;
- to distinguish between the role of the holding company board and its subsidiary boards;
- to facilitate effective, balanced and transparent decision-making at all levels of the group; and
- to establish, maintain and monitor the system of internal controls.

* Copyright and trade marks are owned by the Institute of Directors in South Africa NPC ('IoDSA') and all of its rights are reserved.

The graphic below highlights the structures that KAP has implemented to achieve the aforementioned:



The KAP governance structures achieve the following governance outcomes in line with those recommended by King IV™.

Governance outcomes are the positive effects and benefits that organisations could realise if the underlying principles are achieved.



Ethical culture

Ethical culture means ensuring that the company entrenches its values in its decision-making, conduct and the relationships between the organisation, its stakeholders and the broader society.



Adequate and effective control

Adequate and effective control refers to the implementation of structures, people and processes to ensure the integrity of information used for internal decision-making and the integrity of financial and non-financial information that it reports.



Performance and value creation

Performance and value creation reflect an organisation's achievements relative to its strategic objectives, and its outcomes in terms of its effect on people, planet and profit.



Trust, good reputation and legitimacy

Trust, good reputation and legitimacy mean that the company realises that it must be a good corporate citizen that plays an integral part in broader society.

BOARD LEADERSHIP

The board sets the tone by embracing the ethical leadership values as espoused by King IV™, namely integrity, competence, responsibility, accountability, fairness and transparency. These values are well entrenched in the governance culture of the company and, together with the unique KAP values set out below, they reinforce the ethical principles on which the company's reputation and success are founded. To maximise stakeholder value on a sustainable basis, these values extend into every segment of the company's operations and business activities.

OUR VALUES



to lead responsibly



to respect society



to value the environment



to embrace diversity



to respect our people



to innovate relentlessly



OUR LEADERSHIP

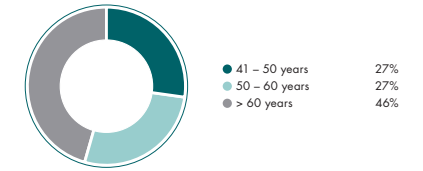
The board of directors

Executive directors

Independent non-executive directors

-  Audit and risk committee
 -  Social and ethics committee
 -  Human capital and remuneration committee
 -  Nomination committee
 -  Investment committee
 -  Chairperson of committee
-  Roll your cursor over images for more detail. Full director CVs can be viewed on our website.

Board diversity – age



Board diversity – tenure



Executive and independent non-executive directors



Board demographics



Executive management as at 30 June 2022

Full management CVs can be viewed on our website.



GN (Gary) Chaplin (52)
CA(SA)
CHIEF EXECUTIVE OFFICER

Gary qualified as a chartered accountant in 1995, after completing his articles with Deloitte. He was appointed as chief executive officer of PG Bison in 2011, appointed to the KAP Industrial Holdings Limited executive committee in 2012, and appointed as the chief executive officer of KAP in November 2014.



FH (Frans) Olivier (43)
CA(SA)
CHIEF FINANCIAL OFFICER

Frans qualified as a chartered accountant in 2004. He joined PG Bison in 2009, as the group financial manager, and was appointed as chief financial officer in 2010. Frans was promoted to the position of chief financial officer of the diversified industrial segment of KAP Industrial Holdings Limited in 2015 and, in April 2016, he was appointed as the chief financial officer of KAP.



SP (Penwell) Lunga (47)
BJuris, LLB, MBA, MSc (HR)
CORPORATE AFFAIRS EXECUTIVE

Penwell joined KAP Industrial Holdings Limited in 2012. In 2016, he was appointed as group stakeholder relations executive and a member of the executive committee. Penwell currently serves as corporate affairs executive and was appointed as an executive director on 18 November 2021.



H (Neels) Kornelius (49)
BEng (Chem), MBL
ENTERPRISE RISK EXECUTIVE

Neels has held positions in insurance and risk management across the financial services and mining sectors with Aon, Willis Towers Watson and Anglo American. In 2017, he became one of the first six South Africans to be awarded the Certified Risk Management Professional designation by the Institute of Risk Management South Africa. He was appointed to his current role in January 2022.



LML (Mike) Besteiro (53)
MSc (Industrial Engineering)
ICT EXECUTIVE

Mike started his career at ArcelorMittal South Africa, where he managed the implementation of factory planning and scheduling systems. In 2000, Mike joined i2 Technologies as a solution architect and worked on the implementation of supply chain systems across various industries in Europe and the United States. Mike joined PG Bison in 2004, and was appointed to his current role in 2018.



CH (Christina) Steyn (42)
BSc, BSc Hons (Physics),
MSc (Physics), PhD (Physics), MBA
INVESTOR RELATIONS EXECUTIVE

Christina's early work experience included scientific research and management consulting (strategic finance). She was a rated sell-side equity research analyst and, over her 13 years in the equity markets, covered the diversified industrials, chemical, small cap and mining sectors. Christina joined KAP Industrial Holdings Limited as investor relations executive in October 2021.



R (Rentia) Venter (43)
BMus, BPolSci, MCom
(Organisational Psychology), MBA
STRATEGY EXECUTIVE

Rentia has close to 20 years' professional advisory experience in strategy development and the execution of large-scale corporate transformation initiatives. She has worked with executives and leadership teams of large organisations on four continents, across multiple industries and sectors. Rentia joined KAP Industrial Holdings Limited as strategy executive in March 2022.



RH (Reino) Louw (48)
BCom (Law), LLB, LLM
TREASURY AND LEGAL EXECUTIVE

Reino joined the South African Reserve Bank as an in-house legal consultant in 1998. In 2003, he moved to Nedbank Limited as an in-house legal advisor. In 2004, he joined Citibank South Africa as in-house legal counsel, becoming the South African country counsel and a member of the management committee. Reino joined KAP Industrial Holdings Limited as treasury and legal executive in March 2018.

In order to provide effective oversight, it is key that the board has a multidisciplinary composition, with individual board members who possess the necessary diversity in qualifications, skills and experience to support the diverse nature of our businesses.

The board includes the following sector experience:

- Auditing
- Consumer markets
- Corporate finance
- Credit management
- Financial services
- Forestry
- Information and communication technology ('ICT')
- Investment management
- Logistics
- Management consulting
- Manufacturing
- Merchant banking
- Risk management

Besides their sector experience, the directors' academic qualifications fall into the following fields:

Board qualifications



> The average age of the directors is 57

Purpose of the board

The detailed responsibilities of the board are set out in a formal board charter. The charter is aligned with the provisions and recommendations of King IV™, the company's memorandum of incorporation ('MOI'), the Companies Act, No. 71 of 2008 of South Africa, as amended ('the Companies Act') and the Listings Requirements of the JSE Limited ('JSE LRs'). The charter is available on our website at www.kap.co.za. It defines the powers of the board and provides a clear division of responsibilities and the accountability of board members.

Key focus areas for 2022

- Effective response to the Covid-19 pandemic
- Review of the KAP strategy, which focuses on value creation for all our stakeholders

Mandate

Despite having delegated some of its powers to board committees, the board has retained material powers. These include the following:

- approving the strategic direction of the group;
- approving the budgets necessary for the implementation of the group's strategic direction;
- approving KAP's financial results, the company's statutory annual financial statements and interim reports, and ensuring the integrity of the integrated report;
- defining the group's dividend policy and making distributions to shareholders if appropriate;
- allocating capital and resources to ensure an optimal return on shareholders' funds;
- authorising capital expenditure, property transactions, borrowings and investments, except where pre-approved materiality levels apply;
- serving as the focal point and custodian of corporate governance for the group and monitoring that an appropriate corporate governance framework is adopted and applied across the group;

- assuming responsibility for the governance of ethics, setting the tone for ethical leadership and ensuring that an appropriate code of ethics is applied across the group;
- ensuring that the company and the group are seen to be responsible corporate citizens by setting the direction for KAP to achieve this;
- ensuring compliance with applicable legislation and best practices;
- ensuring that the business of the group is conducted in accordance with the principles of fairness, accountability, transparency, responsibility, competence and integrity;
- defining levels of materiality and powers of delegation, while reserving specific powers to itself;
- ensuring the adequacy and efficacy of the group's internal control systems and procedures and reporting thereon;
- governing risk and opportunities in a way that supports the company in setting and achieving its corporate goals;
- ensuring that an appropriate, objective and effective risk-based internal audit approach is applied;
- ensuring appropriate governance of the group's ICT systems and monitoring major ICT spend;
- ensuring that the group remunerates fairly, responsibly and transparently;
- communicating with internal and external stakeholders in a transparent and timely manner; and
- providing effective leadership and ensuring the overall sustainability of the group.

In carrying out its responsibilities, the board strives to ensure that:

- there is a balance of power and authority at board level, and that no single director or group of directors has unfettered powers;
- an appropriate balance is maintained between strategy, risk, performance and sustainability and that they are considered as inseparable elements of the value-creation process;

- an adequate and effective process of corporate governance, including the process of risk and audit management, is established and maintained;
- the consequences of the group's activities do not adversely affect its status as a responsible corporate citizen in the workplace, society, the environment and the economies of the geographical areas within which it operates;
- reasonable procedures are adopted to ensure compliance by the group with all legislation and regulations that may be material to its businesses and affairs; and
- effective and sustainable succession plans are in place for the group's executive management and members of the board.

Board evaluations

In line with the board charter, which is aligned to the recommendations of King IV™, the board carries out self-assessments every two years. During these self-assessments, the following themes are evaluated, among others:

- Performance and reporting
- Strategy development and implementation
- Board leadership and ethics
- Board composition

During the most recent evaluation of the performance of the board, the board was satisfied that it was effective and that it acted with the required care, skill and diligence in the best interest of the company for the year under review and that, as a listed entity, it had materially complied with the JSE LRs.

Composition

The board currently comprises 11 directors of whom three are executive directors and eight are independent non-executive directors. The three executive directors comprise a chief executive officer ('CEO'), a full-time chief financial officer ('CFO') and a corporate affairs executive.

Changes to the board composition in 2022

Following 17 years of service on the board, IN Mkhari decided to retire and did not make herself available for re-election as a director at the company's annual general meeting ('AGM') held on 18 November 2021. She was consequently not reappointed as a director on the board and retired on the same date.

On 18 November 2021, SP Lunga, the company's corporate affairs executive, was appointed as an executive director on the board.

In addition, the following board committee and director role changes were approved and implemented by the board on 18 November 2021:

- J de V du Toit stepped down as chairperson of both the board and the nomination committee, but continues to serve on the board and the nomination committee as an independent non-executive director.
- PK Quarmbly, the lead independent non-executive director, was appointed as the chairperson of the board and the nomination committee. As a consequence, he was not reappointed to the audit and risk committee.
- KJ Grové, the independent non-executive deputy chairperson, was appointed as the lead independent non-executive director. The deputy chairperson position on the board fell away.
- V McMenamin became a member of the human capital and remuneration committee.
- TC Esau-Isaacs became a member of the investment committee.
- Z Fuphe was appointed as the chairperson of the social and ethics committee and as a member of the nomination committee.
- SH Müller was appointed as chairperson of the investment committee in place of PK Quarmbly.

Roles of the chairperson, chief executive officer and lead independent director

J de V du Toit was the independent non-executive chairperson of the board until his retirement as the board chairperson on 18 November 2021, when PK Quarmbly was appointed as chairperson. J de V du Toit remained on the board and on the nomination committee during the review period and plans to retire as a director at the 2022 AGM. GN Chaplin is the CEO. The roles and obligations of the chairperson and lead independent non-executive director have been formally documented and approved by the board, while the CEO's responsibilities are stipulated in his contract with the company.

The key critical responsibilities associated with these roles are set out below:

Role	Responsibility
Chairperson	<ul style="list-style-type: none"> Leads the board and ensures the integrity and effectiveness of the board and its committees. Ensures high standards of corporate governance and ethical behaviour.
Lead independent non-executive director	<ul style="list-style-type: none"> Maintains the effectiveness of the board by providing leadership and advice when the chairperson has a conflict of interest or is unavailable to act, without detracting from or undermining the chairperson's authority. Provides support to the chairperson, acts as a sounding board, and is available as a trusted intermediary for the other directors (as necessary).
CEO	<ul style="list-style-type: none"> With assistance from the other executive directors, manages and runs KAP's business in terms of the strategies and objectives approved by the board. Chairs KAP's executive committee, leads and motivates the management team, and ensures that the board receives accurate, timely and clear information about the company's performance.

Agreement was reached with the chairperson that he would not serve on more than three listed entities while serving as chairperson of the KAP board. Non-executive directors are required to dedicate sufficient time to board matters. They may serve on other boards, provided that such other appointments do not create a direct and material conflict of interest or interfere with their duties to the KAP board, but rather extend beyond the scope of KAP's operations and bring a broader, value-adding, independent perspective and dimension to board deliberations.

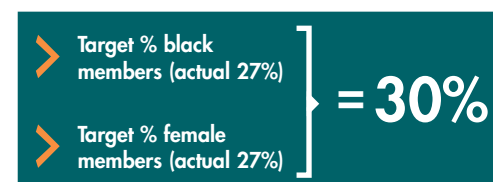
Succession planning has been undertaken for the board, and specifically for the important roles of both the chairperson and the CEO.

Diversity

The board implemented a board diversity policy pursuant to changes in the JSE LRs in 2021. The policy promotes race and gender diversity and also focuses on other diversity attributes relating to culture, age, knowledge, skills and experience.

Accordingly, when board vacancies arise, potential candidates are considered on merit against objective criteria and with due regard for the potential benefits of gender and race diversity, as well as levels of skill, acumen, qualifications, age, culture, experience, ethical behaviour and actual or potential contributions to the group to ensure that the composition of the board and its committees is appropriately balanced and diverse. In its review of the board composition, the nomination committee applied this policy, among others, to ensure that the board's diversity representation complies with the policy recommendations. The board's policy on diversity is available on our website.

 [Read more](#)



Appointment requirements

Appointments to the board are formal and transparent and are aligned meticulously with relevant statutory prescripts. Proposals for election/re-election to the board are recommended by the nomination committee and are considered by the board. Appointments to the board are subject to the approval/ratification thereof by shareholders at the first subsequent general meeting or AGM following their appointment to the board, providing shareholders unfettered power over board appointments.

The company's MOI provides that, at every AGM of the company, at least one-third of the non-executive directors shall retire from the board by rotation. In addition, directors who have reached the age of 71 are required to retire from office at every AGM. If eligible, the retiring directors may offer themselves for re-election.

Based on the above, the board endorsed the nomination committee's recommendations and proposed that the following non-executive directors should retire by rotation at KAP's forthcoming annual general meeting, taking place on 21 November 2022 ('2022 AGM'):

- KJ Grové, having reached the age of 71;
- SH Müller who, among the non-executive directors, has been in office longest since his last re-election; and
- KT Hopkins who, among the remainder of the non-executive directors, has been in office longest since his appointment.

The above directors are all eligible for re-election, having satisfied the qualification and eligibility requirements set out in section 69 of the Companies Act, and they have made themselves available for reappointment.

During the year under review, the performance of the directors proposed for re-election has been above reproach and they have maintained an exemplary board attendance record.

From the curriculum vitae of the above directors, it can be concluded that they have the appropriate skills, experience and independence to warrant their re-election.

Board succession and refreshment

The board understands that the refreshment of its members is vital for its effective functioning. Based on the prerequisites of the company's strategy and other future needs, the nomination committee identifies candidates with the requisite attributes, skills and experience to replace departing directors to ensure that the board's competence and balance are maintained and enhanced.

KAP's MOI provides for the periodic staggered rotation of board members to ensure the introduction of members with new expertise and perspectives, while retaining valuable knowledge, skills and experience and maintaining continuity. Succession plans make provision for the identification, mentorship and development of future members.

Classification of independent non-executive directors and conflicts of interest

> 100%
non-executives are independent

All eight non-executive directors serving on the board have been classified by the nomination committee as independent non-executive directors in accordance with the classification guidelines detailed in the JSE LRs and in King IV™ in a holistic manner on a substance-over-form basis.

The nomination committee found that these directors, through their conduct at board and committee meetings, have displayed independence of mind in their decision-making. They were also found to be independent in character and judgement, and there were no relationships or

circumstances which affected, or could appear to affect, their independence. The nomination committee was also of the view that an informed third party would form a similar perception, based on the directors' conduct.

As at the date of this report, the non-executive directors on the board who have served in an independent capacity for longer than nine years (or three terms) are:

- J de V du Toit (appointed with effect from 23 May 2012);
- KJ Grové (appointed with effect from 25 April 2012)*;
- SH Müller (appointed with effect from 25 June 2012); and
- PK Quarmbay (appointed with effect from 25 June 2012).

* KJ Grové was appointed to the board as an executive director on 25 April 2012, and subsequently underwent a three-year cooling-off period, after which he was reclassified as a non-executive director with effect from 1 January 2020.

The knowledge that these directors possess individually relating to the history and affairs of the group and across a wider spectrum of industry and commerce, together with their individual competencies, capabilities and experience, have assisted the board in shaping the group's growth and determining our strategy, and has contributed to the effectiveness of the board and the committees on which they serve. Their continued service to ensure stability and a structured and staggered handover in the coming years is considered a self-evident and logical business imperative, given that 14 changes of director have occurred since 2017.

As recommended by King IV™, the nomination committee has assessed separately the long-term nature of their directorships. Their individual skills, experience and diversity were weighed against the appointment of new directors to bring a fresh perspective to board deliberations. In spite of their long service, the nomination committee concluded that each remains independent in character and

exercises objective judgement on the board and the committees on which they serve, for the reasons indicated above. It was further concluded that the length of service of these directors has not compromised their independence and that they fulfil a crucial role in maintaining balance in board deliberations and decision-making. The nomination committee has confirmed that the outside directorships and interests of these directors have not impeded them in the fulfilment of their fiduciary duties as KAP directors, but have rather assisted in bringing a broader dimension to board deliberations.

The executive directors do not hold external commercial directorships that represent any material conflict with their duties as directors of KAP. However, as is the case with most executive directors in corporate groups, they have several personal financial interests in other group entities (as defined in section 75 of the Companies Act) as a consequence of their multiple intergroup directorships.

The directors' personal financial interests are disclosed publicly on our website.

[Read more](#)

Board meetings and attendance

The board meets at least six times a year or more often if necessary. This includes four formal quarterly meetings, as well as a budget meeting and a strategic session. Should circumstances so require, the non-executive directors may meet without the executive directors being present.

Meetings are conducted according to a formal agenda, ensuring that the board properly addresses and follows up on all substantive matters and, over a 12-month period, covers all the agenda items on the board's annual work plan. Directors are given the opportunity to add non-standard matters to the agenda at the start of each board meeting.

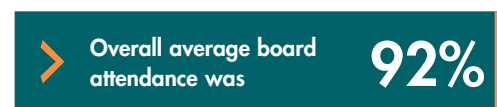
Directors formally declare in writing their personal financial interests in contracts, shareholdings and appointments to other boards at each board meeting. Involvement in related-party transactions and other interests and relationships are declared formally four times annually, or when they occur. The board abides strictly by the standards and procedures of directors' conduct and personal financial interests as set out, among others, in sections 75 and 76 of the Companies Act and principle 1 of King IV™. Whenever any potential conflict arises or a director (or a related person to such director) has a personal financial interest in respect of a matter to be considered at a meeting, the director leaves the meeting immediately after having made the disclosure and having given any pertinent input as permitted by section 75(5) of the Companies Act, and does not take part in the further consideration of the matter. The conflicts-of-interest methodology is applied equally when decision-making is effected by way of written resolutions.

The fiduciary duties of the directors to act in the best interests of the company on whose board they serve are well understood by the directors, and specifically by the executive directors, who are confronted with numerous intergroup cross-directorships. KAP's comprehensive and judicious conflicts-of-interest regime not only promotes good governance, transparency, integrity and accountability, but also assists the board members individually, and KAP as a corporate citizen, to limit the risk of potential reputational damage. To mitigate the governance risk and to protect the directors against liability in relation to intergroup cross-directorships, a formal legal opinion has been obtained and is applied regarding this onerous corporate governance aspect of directors' conduct. Further reliance is placed on KAP's many prudent governance practices and the principles of the business judgement rule, as set out in the Companies Act.

The following table indicates the attendance of each director at scheduled meetings of the KAP board during the year under review, which include four board meetings, one budget meeting and one strategic session:

Member	Attendance (six meetings)
PK Quarmby (Chairperson)	6/6
GN Chaplin	6/6
J de V du Toit	4/6
TC Esau-Isaacs	6/6
Z Fuphe	5/6
KJ Grové	6/6
KT Hopkins	6/6
SP Lunga*	4/4
V McMenamin	5/6
IN Mkhari^	1/2
SH Müller	6/6
FH Olivier	6/6

* Appointed on 18 November 2021.
 ^ Retired on 18 November 2021.



Director induction and development

It is important for a new director to understand the nature of the company, how it operates, its people and its main relationships. This serves to ensure that the director gains an understanding of their role as a director, of the company, as well as the framework within which the company operates. It is equally important for a new director to have an understanding of the board, its composition, and all the board's processes, to be able to function optimally as a director. For the same reason, the new director will also need to be familiar with his or her roles and responsibilities as a director of the company.

King IV™ states that a programme of professional development and regular briefings on legal and corporate governance developments and risks and changes in the external environment of the organisation should be provided to members of the governing body.

KAP has a formal induction programme for new members in place, which has been used in recent years. It is aligned to the Institute of Directors Practice Note, which indicates the elements that should be covered. It is important to guard against a one-size-fits-all approach. For this reason, the induction programme takes the individual requirements of each new director into account.

The elements to be incorporated are set out in the table below:

Information requirement	
General	Operations
<ul style="list-style-type: none"> Company profile, including its history and structure Company organogram Company's products and services Company values and objectives Company strategic imperatives and business plan Executive members' profile and contact details Company's risk profile and insurance programme Company's corporate social responsibility initiatives Key performance indicators 	<ul style="list-style-type: none"> An operational overview of all the business areas within the company The company's memorandum of incorporation Finances and performance Previous integrated or annual reports Major events in the last few years Legal obligations Ethics and compliance Key policies and procedures
Board	The role of a director
<ul style="list-style-type: none"> Board procedures, including minutes, governance framework, code of ethics, board committees, board evaluations and board calendar Board and board committee composition Board training and development Regulatory environment Board effectiveness and reviews and action plans Agenda for next meeting Details of other directors Details of the company secretary Executive management Documents relating to annual general meetings The new director's personal development process 	<ul style="list-style-type: none"> The role of a director The role and legal responsibilities of a director as well as his or her statutory duties Responsibilities of other key role players Board committees that the new director may need to sit on Conflict-of-interest provisions The new director's personal development process

Directors' access to management information and advice

All directors are afforded unrestricted access to management, including the company secretariat. Independent professional advice is available in appropriate circumstances at the company's expense to assist directors in carrying out their duties. Requests for such assistance are channelled through the company secretary for approval by the chairperson. During the year under review, none of the directors independently sought external advice paid for by the company.

Directors' remuneration

Details of the remuneration for executive directors for the year ended 30 June 2022 are contained in note 38 to the financial statements and on pages 85 to 91 of the integrated report. This includes the share rights granted to the executive directors under the KAP Performance Share Rights Scheme. The executive directors do not earn fees for their services as directors.

Non-executive directors receive fees for their board and committee participation. Details of the proposed fees payable to the non-executive directors for the forward-looking period from the 2022 AGM to the date of the 2023 AGM, including fees for service on the board committees, are reflected on page 8 of the notice of the 2022 AGM, which is available on our website.

The fee recommendation will be submitted to shareholders for approval at the 2022 AGM.

 [Read more](#)

The greater portion of the non-executive directors' total fee is earned through attendance of and participation at meetings, with the retainer representing a small portion of the fee. All reasonable travel and accommodation expenses to attend board and committee meetings are paid by the company.

The non-executive directors do not have service contracts and are not members of the group's retirement funding schemes. They do not hold any share rights or options under the group's share incentive scheme, and they do not receive any incentives based on the group's financial performance.

Chief financial officer

The full-time CFO of the company is FH Olivier. A review of the role and adequacy of the CFO and the finance function is undertaken annually by the audit and risk committee. For the year under review, the committee concluded that FH Olivier possesses the appropriate experience, expertise and qualifications for this position. It also concluded that the finance function has the appropriate expertise, resources and experience to function effectively, that appropriate financial reporting procedures exist, and that these are functioning well. Details of this are contained in the report of the audit and risk committee on page 10 of the annual financial statements.

BOARD COMMITTEES

Considering the limited time available to a board to interrogate fully and apply its mind to material matters as a collective, creating smaller, focused groups to afford additional time for these matters empowers the board to be more effective and efficient. In line with this principle, the board has delegated particular matters to board committees to enable more robust, in-depth and focused attention and interrogation on matters that are material to the board and/or the business.

Committees therefore enable the board to deal with a larger number of issues with greater efficiency by having focused expertise considering specific areas on their behalf. Well-structured committees with appropriate mandates and charters, as those in operation across the KAP governance structures, enhance balanced decision-making, increase the objectivity of the board's judgement, and serve as a risk-mitigating measure.

The MOI allows the board to delegate matters to any number of committees to assist the directors in the execution of their mandate. These formal board committees are constituted in accordance with the recommendations of King IV™, the JSE LRs and the requirements of the Companies Act. The board has established the following board committees:

- the audit and risk committee;
- the social and ethics committee;
- the human capital and remuneration committee;
- the nomination committee;
- the investment committee;
- the guarantee and financial assistance subcommittee; and
- the treasury subcommittee.

The audit and risk committee

Purpose

The audit and risk committee operates under a charter that is aligned with the requirements of the Companies Act, King IV™ and other relevant audit-related legislation. The committee charter was reviewed and updated during the year under review. The committee is both a statutory committee as well as a board committee in respect of duties assigned to it by the board.

The main objective of the committee is to assist the board in fulfilling its oversight responsibilities and to evaluate the adequacy and efficiency of accounting policies, internal controls, enterprise risk management, compliance and combined assurance arrangements and financial reporting processes. In addition, the committee assesses the effectiveness of the internal auditors, the independence and effectiveness of the external auditors, and considers and recommends the appointment of the latter.

Mandate

The obligations and overall objectives of the committee include the following:

- to review the principles, policies and practices adopted in the preparation of the annual financial statements of companies in the group and to ensure that the annual financial statements of the group and any other formal announcements relating to the financial performance comply with all applicable statutory and regulatory requirements;
- to ensure that the interim condensed financial statements, the consolidated and company annual financial statements and the annual integrated report comply with all applicable statutory and regulatory requirements;
- to ensure that all financial information contained in any consolidated submissions to the board is accurate and complete;

- to assess annually the appointment of the external auditor and confirm their independence, recommend their appointment at the AGM and approve their fees;
- to review the work of the group's external and internal auditors to ensure the adequacy and effectiveness of the group's financial, operating, compliance and risk management controls;
- to review the management of risk and the monitoring of compliance effectiveness within the group;
- to oversee the appropriateness of the governance structures relating to ICT in its support of the business, to execute the business strategy and day-to-day operations;
- to ensure that appropriate financial reporting controls and procedures exist and are effective for the company and its subsidiaries;
- to ensure that the directors have access to all financial information of the group to allow them to approve the consolidated and company annual financial statements; and
- to perform duties that are attributed to it by its mandate from the board, the Companies Act, the JSE LRs, King IV™ and other applicable regulatory requirements.

The committee is supported by nine divisional audit and risk committees ('divisional committees'), in place for all subsidiary companies. These committees have been formed on a voluntary basis to assist the KAP audit and risk committee in the fulfilment of its functions, duties and obligations. Because they are not committees of a public company or conditional on a requirement of the subsidiary's MOI, they are not audit committees as defined in section 94 of the Companies Act, and their members are accordingly not independent non-executive directors.

Consequently, meetings of the divisional committees are attended by the KAP CEO, CFO and chief audit executive, the respective divisional CEOs and CFOs, and by other representatives from various internal assurance providers (finance, risk management, compliance, ICT, etc.). The external auditor attends all divisional committee meetings by standing invitation. The divisional committees meet quarterly and deal with audit and risk-related issues arising at divisional level. The divisional committees escalate any unresolved issues of concern to the KAP audit and risk committee. The minutes of the divisional committee meetings are presented to the KAP audit and risk committee to be noted.

The reports of the external auditor are reviewed and discussed in detail at the KAP and divisional audit and risk committee meetings. In addition to the above-mentioned audit reports, these committees also consider financial, enterprise risk, safety and health, ICT, legal, insurance and other compliance and governance-related reports from management, the external and internal auditors, as well as from other external assurance providers.

The key audit matters considered by the external auditors and the audit and risk committee are disclosed in the external auditor's report on pages 5 to 9 of the annual financial statements.

The report of the audit and risk committee for the year under review is available on pages 10 to 12 the annual financial statements. The specific focus areas for 2022 are discussed there.

Composition and meetings

The committee comprised four independent non-executive directors throughout the year under review, all of whom satisfied the requirements of section 94(4) of the Companies Act and King IV™.

The composition of the committee and the attendance of meetings by its members are set out below:

Member	Attendance (11 meetings)	
	Quarterly	Special
KT Hopkins (Chairperson) BCom (Hons), CA(SA)	4/4	7/7
TC Esau-Isaacs CA(SA)	4/4	7/7
Z Fuphe BSocSci	4/4	7/7
SH Müller BAcc (Hons), CA(SA), Sanlam EDP	4/4	7/7
PK Quarmby* CA(SA)	2/2	5/5

* PK Quarmby stepped down as a member of the committee at the AGM held on 18 November 2021, due to his appointment as chairperson of the company. This is in line with the recommendations of King IV™, which stipulate that the chairperson of the board should not be a member of the audit and risk committee.

> Audit and risk committee attendance was 100%

The committee met on four occasions, with meetings scheduled in line with the group's financial reporting cycle. Further meetings were scheduled to discuss the progress and implementation of the KAP corporate governance framework and combined assurance model, and to oversee the External Quality Assessment Review ('EQAR') in line with the Institute of Internal Auditors ('IIA') standards.

The nomination committee of the company and the board are satisfied that these members have the required knowledge and experience, as set

out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulations, 2011, in order to serve on an audit committee of a public, listed company.

The CEO, CFO, enterprise risk management executive, chief audit executive, ICT executive, treasury and legal executive, as well as the group financial manager, are permanent invitees to committee meetings.

KT Hopkins, TC Esau-Isaacs, Z Fuphe and SH Müller have been nominated for re-election as committee members and have the support of the board. Their election is subject to shareholder approval at the 2022 AGM.

Key focus areas for 2022

- Review of the group's going concern assessment and solvency and liquidity position
- Impairment assessment of goodwill, indefinite useful life intangible assets and property, plant and equipment
- The Competition Commission matter regarding PG Bison Proprietary Limited
- Improvement of the combined assurance framework, model and processes
- Oversight of the internal financial controls, effectiveness thereof and remedial actions implemented by management
- Oversight of ICT risks, the ICT internal control framework and the ICT assurance plan
- Improvement in the quality of the integrated report with a strong focus on materiality
- Improvement of enterprise risk management by the recommendation to the board of a new risk management policy and the approval of a revised enterprise risk management framework
- Ensuring the effectiveness of the internal audit function and the EQAR process

Social and ethics committee

Purpose

The purpose of the social and ethics committee ('SEC') is to monitor KAP's activities with regard to social and economic development, good corporate citizenship, the ethics environment, health and public safety, consumer relationships, labour and employment.

The SEC enjoys the support and cooperation and draws on the competencies and experience of the members serving on the KAP audit and risk committee, the human capital and remuneration committee ('RemCom') and the executive committee ('Exco') in exercising certain overlapping duties in the areas of integrated reporting, remuneration, human capital, employment equity ('EE'), broad-based black economic empowerment ('B-BBEE'), and other aspects of the group's business.

The SEC has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

Mandate

The committee has decision-making authority with regard to its statutory duties, and is accountable in this respect to both the board and shareholders. With regard to its other mandated duties, it reports and makes recommendations to the board.

In respect of the prescribed duties of a social and ethics committee, the committee acts on behalf of all subsidiaries in the KAP group, as permitted by section 43(2) of the Companies Regulations.

The role of the committee is to assist the board with the oversight of social and ethical matters relating to the group. The overall objectives of the committee include the following:

- to monitor activities with regard to the duties that are attributed to it by the Companies Act, the JSE LRs and King IV™, with a specific focus on those duties stated in regulation 43(5) of the Companies Act, relating to:

- social and economic development; the prevention of fraud and corruption and the promotion of ethical behaviour, materially in accordance with the Organisation for Economic Co-operation and Development's ('OECD') recommendations and in line with the 10 Principles set out in the United Nations Global Compact ('UNGC');
 - good corporate citizenship;
 - the environment, health and public safety;
 - public relations and consumer relationships;
 - employment and labour relations;
 - compliance with applicable legislation, with a specific focus on the EE aspects and the B-BBEE Codes;
 - consumer protection laws;
 - the impact of the company's activities, products and services on communities;
- to draw to the board's attention matters within our mandate as required; and
 - to report to the company's shareholders on the matters within our mandate.

Composition and meetings

In order to ensure that sufficient time is spent to execute effectively the statutory mandate of the SEC, meetings were increased from one to two per annum. Z Fuphe was appointed as chairperson of the committee on 18 November 2021, in place of IN Mkhari, who retired.

The committee comprises four independent non-executive directors and one executive director.

Social and ethics committee attendance was 100%

The SEC is satisfied that the committee as a whole is appropriately diverse and has the required knowledge, experience and skills to discharge our responsibilities effectively. As recommended by King IV™, the committee has appropriate

cross-membership to minimise fragmented functioning, and to ensure a balanced distribution of power across committees.

The composition of the committee and the full attendance at meetings by its members during the 2022 review period are set out below:

Member	Attendance (two meetings)
IN Mkhari (Chairperson)* BSocSci	1/1
GN Chaplin CA(SA)	2/2
TC Esau-Isaacs CA(SA)	2/2
Z Fuphe[^] BSocSci	2/2
V McMenamin MSc (Economics)	2/2
SH Müller BAcc (Hons), CA(SA), Sanlam EDP	2/2

* Retired on 18 November 2021.

[^] Appointed as chairperson on 18 November 2021.

Key focus areas for 2022

- Effective response to the Covid-19 pandemic
- Overseeing the integration of ESG issues/matters into the KAP strategy
- Reviewing the environmental and human rights policies
- Overseeing the ethics programme, including interrogation of the ethics hotline calls received
- Reviewing the social and ethics committee charter and annual work plan
- Improving sustainability and integrated reporting
- Overseeing ESG risks, including climate change

Overview of the duties fulfilled

Apart from the key focus areas, the SEC performed the following duties in the execution of our mandate:

ESG and strategy

Having noted reports on the KAP strategy and endorsements by the CEO, the SEC was convinced that ESG had been integrated fully within both the KAP value proposition and the group's commercial strategy. Overall, there has been a positive convergence between the strategy, combined assurance, all the ESG elements and sustainability. ESG governance and target setting are now part of the strategy. In future, the KAP approach to ESG and sustainability will be driven by two primary principles, namely:

- relevance to the KAP value proposition and strategy; and
- consideration of risk within the context of KAP's enterprise risk policy.

UNGC, OECD and ESG

The SEC received and noted an internal self-assessment by management of KAP's standing on the 10 Principles of the UNGC regarding the core values around human rights, labour standards, the environment and anti-corruption. The assessment also covered KAP's standing in respect of the principles of the OECD with regard to the fight against bribery and fraud. The assessment provided evidence that our values and processes comply substantively with the values espoused by both these organisations. In instances in which compliance with a particular practice was impractical, supportive policies and/or measures have been implemented to facilitate fulfilment of the obligations.

Because KAP is a member of the UNGC, the SEC mapped KAP's ESG-related activities to the 17 UNGC Sustainable Development Goals ('SDGs'). This exercise identified the following key focus areas to improve our ESG ratings:

- Greenhouse gas emissions
- Water usage
- Waste management
- Health and safety
- Community relations
- Socioeconomic development
- Transformation and diversity
- Our employee value proposition

B-BBEE

Under the guidance of the SEC and RemCom, KAP proactively aligns day-to-day business practices in South Africa with the B-BBEE Codes and creates educational and employment opportunities for youth through learnerships and educational upskilling.

During the review period, management succeeded in improving KAP's overall B-BBEE score to a Level 4 contributor status, despite the fact that we registered a significantly higher year-on-year profit in 2022. KAP's B-BBEE certificate is available on our website.

 [Read more](#)

Community relations and socio-economic development ('SED')

The SEC provides oversight of KAP's SED approach, which is primarily focused on child welfare, health and education. The group's socioeconomic development approach is managed by each division in the communities in which their activities are predominantly conducted and our products and services are marketed. These initiatives include enterprise development projects, direct donations and community upliftment.

The SEC noted and endorsed the numerous initiatives through which we actively increase community sustainability and strengthen our relationships with local communities.

There are several examples that illustrate the group's fulfilment of SED. These include community development initiatives, protection of biodiversity, recycling, water and waste management, healthcare, and reducing carbon emissions. Read more in the sustainability review that forms part of our integrated report.

 [Read more](#)

Managing the Covid-19 pandemic

The SEC provided a number of key guiding principles around the management of the Covid-19 pandemic ('Covid-19'):

- A formal Covid-19 vaccine policy was formulated and presented to the board as part of measures adopted to mitigate against future infections and business interruptions. The policy was additional to the Covid-19 protocols already implemented across the organisation in accordance with legislative and regulatory requirements, balancing the rights of employees and business interests.
- Due to our stance on human rights (i.e. not to infringe on people's constitutional rights), we did not implement a compulsory vaccination policy. However, due to our duty as a responsible corporate citizen, we encouraged vaccinations in order to minimise absenteeism.
- Covid-19 infections were tracked centrally, and vaccination statistics were monitored and reported by the divisions.
- The human capital department drove a number of initiatives to address the emotional and psychological impact of Covid-19 on employees.

Ethics and combatting fraud and corruption

The SEC advocates, and KAP follows, a consistent approach in actively pursuing and prosecuting perpetrators of fraudulent or other illegal activities across our business operations.

While the responsibility for the implementation and execution of the group's code of ethics is delegated to management, the SEC (with the audit and risk committee and the board) exercises oversight over the management of ethics through the receipt and review of management reports relating to compliance with the group's code of ethics. These reports include statistics of the independent ethics hotline (KAPREF) calls and progress reports on investigations into reported acts of impropriety.

The code of ethics commits the group and our employees to the highest ethical standards of conduct and compliance with applicable laws and regulations. The code is available on our website.

The code of ethics is supplied to new employees as part of the group's employee induction process.

Major suppliers of goods and services are expected to comply substantially with the provisions of the KAP code of ethics, as embodied in the group's supplier code of conduct. For the period under review, no material incidences of non-compliance with either the code of ethics or the supplier code of conduct were recorded. Both demand high standards of ethical conduct. The SEC views this as evidence that the code of ethics has been embedded deeply into the group's daily operations, and the lives of the group's employees. Suppliers of goods and services have adopted values comparable to our and operate in a manner that is consistent with good corporate governance.

There were also no prosecutions for non-compliance with laws or regulations. However, KAP and the Competition Commission remain involved in legal proceedings relating to allegations that a subsidiary of KAP was allegedly involved in price-fixing or anti-competitive behaviour in the period between 2012 and 2015.

A comprehensive explanation of the matter is available on our website at www.kap.co.za.

Sustainability reporting

KAP does not follow a tick-box approach to the reporting of ESG and sustainability information, but has chosen to integrate sustainability as part of our overall value proposition to stakeholders. We understand that sustainability reporting is both a beneficiary and an enabler of good performance.

In collaboration with the JSE and FTSE Russell, and following an independent assessment of the group's publicly disclosed information in respect of ESG, KAP secured, for the third consecutive year, inclusion on the FTSE4Good Index Series in the industrial goods and services sector. KAP achieved an overall rating of 3.5 out of a maximum of 5, which is higher than the sub-sector average for diversified industrials and the industry average of 2.4/5 for industrials. This demonstrates a widening of the gap between our ESG practices and those of our competitors.

Overseeing the integrated and corporate governance reports

During the review period, as a standard practice, the SEC chairperson was appointed to an ad hoc board committee to oversee the production and publication of KAP's 2022 suite of annual integrated reports, which includes the corporate governance report. The chairperson reviewed the social and ethics-related information that was publicly disclosed to the market, and concluded that, to the best of her knowledge, the integrity of that information was reliable and beyond reproach.

The SEC endorsed the change in approach to integrated reporting. Reporting on the six capitals was replaced by reporting aligned to the SDGs of the UNGC, which are aligned to the reporting standards espoused by the International Integrated Reporting Framework. Disclosure will also be focused on substance over form with due regard for the materiality thresholds as espoused by the King IV Code on Corporate Governance™*.

* © 2016 The Institute of Directors in South Africa NPC. All rights reserved.

Human capital and remuneration committee

Purpose

The human capital and remuneration committee ('the RemCom') operates under a charter that is aligned with the recommendations of King IV™. The charter was reviewed and updated during the year under review.

Details of the group's remuneration policy and implementation and remuneration disclosure are contained in the remuneration review on pages 80 to 91 of the integrated report and have also been incorporated into the notice of the 2022 AGM, which is available on our website.

Mandate

The RemCom is responsible for determining and approving the group's remuneration policy, which is presented at each AGM, together with the remuneration policy implementation report, for a non-binding advisory vote by shareholders. The RemCom is further responsible for making recommendations to the board on the company's remuneration framework, with a specific focus on executive remuneration and ensuring that incentives are appropriately structured and awarded, so as to drive the group's performance and assist the group in reaching its strategic goals in the short, medium and long term.

The company's incentive benefits are driven by both financial and other indicators, such as governance and transformation targets, and individual key performance indicators ('KPIs'). All the above-mentioned aspects form part of the measurement criteria to determine vesting.

As a general practice, the KAP RemCom makes use of independent remuneration advisors to provide benchmarking information, market trends and the competitive positioning of the company's remuneration.

Divisional subcommittees, with a reporting line to the KAP RemCom, have been established to assist the RemCom in the fulfilment of its duties. As these are not committees of a public company or a statutory requirement, their members are accordingly not independent non-executive directors.

The committee is supported by nine divisional human capital and remuneration committees ('divisional RemCom committees'), which are in place for all subsidiary companies. These committees have been formed on a voluntary basis to assist the KAP audit and risk committee in the fulfilment of its functions, duties and obligations.

Meetings of the nine divisional RemCom committees are attended by the KAP CEO, chairperson, CFO and corporate affairs executive, together with the respective divisional CEOs and human capital executives, as well as other management representatives as may be necessary, at the discretion of the committee chairperson. These subcommittees convened on one occasion during the year under review.

Regular invitees to the KAP RemCom meetings include the KAP CEO and corporate affairs executive. While the CEO and corporate affairs executive attend RemCom meetings, they have no decision-making status. They do not participate in discussions on their own remuneration, which is set by the committee in their absence.

Composition and meetings

Throughout the year under review, the committee comprised four independent non-executive directors, all of whom satisfied the requirements of section 94(4) of the Companies Act and the recommendations of King IV™.

The composition of the RemCom, which has been reviewed and approved by the nomination committee, meets with and exceeds the recommendations of King IV™, namely the committee comprises solely non-executive directors, all of whom are independent non-executive directors. This promotes transparency and moderates the risk of biased decision-making.

The composition of the committee and the attendance of meetings by its members during the year under review are set out below:

Member	Attendance (one meeting)
SH Müller (Chairperson) BAcc (Hons), CA(SA), Sanlam EDP	1/1
KJ Grové AMP (Oxford)	1/1
IN Mkhari* BSocSci	1/1

* Retired on 18 November 2021.

➤ RemCom attendance was **100%**

Key focus areas for 2022

- Reviewing the human capital strategy to support KAP's 2025 strategy
- Executive salary benchmarking and adjustment
- Share rights scheme vesting and allocation
- Executive succession planning
- Enhancement of race and gender diversity

Nomination committee

Purpose

The role of the nomination committee ('the NomCom') is to review the composition of the board and the board committees and, where it appears that the board or board committees are lacking in skills or experience in a certain area, to identify how best to address this. Furthermore, the NomCom ensures succession planning for the board and board committees. It assesses the independence of directors and deliberates on directors' rotation at the AGM.

Mandate

The NomCom operates under a mandate from the board and in accordance with the duties as set out in its charter, which is aligned with the provisions of the company's MOI, the Companies Act and the Companies Regulations, the JSE LRs and the recommendations of King IV™. The charter was reviewed and updated during the past year.

The key function of the NomCom is to ensure that the board and its committees are appropriately structured and resourced to enable them to fulfil their duties efficiently, according to the requirements of their respective charters. To this end, the NomCom identifies, for recommendation to the board and appointment by shareholders, suitable, high-calibre candidates with the capacity and ability to lead the company to sustainable value-creation and long-term growth. It ensures that appointments to the board and its committees are made through a formal, comprehensive and transparent process.

The committee therefore has the responsibility of reviewing:

- the composition and performance of the board and its committees;
- the classification of the directors in accordance with the prescripts of the JSE LRs;
- the continuance in office of non-executive directors who have served on the board for longer than nine years and those who have reached the age of 71 years;

- the rotation of directors;
- succession planning in respect of the non-executive directors and executive directors, to provide continuity of leadership; and
- the induction of new appointments to the board and the ongoing development needs of the directors.

The committee makes recommendations to the board for each of the above. In many instances, this entails a further obligation to make a corresponding recommendation to shareholders.

The NomCom is of the view that the board and its committees are currently of an appropriate size, composition and balance, taking into account the diversity, gender, race, qualifications, skills, experience and other demographics, to fulfil appropriately their respective obligations. Application of the board diversity policy has resulted in the race and gender ratio of the board composition being materially in line with its targets of 30% black and 30% woman representation.

The NomCom recommends that shareholders should appoint KT Hopkins, Z Fuphe, TC Esau-Isaacs and SH Müller at the 2022 AGM as the directors to serve on the company's audit and risk committee for the year ahead.

The NomCom classified the directors in accordance with the classification criteria set out in the JSE LRs and King IV™, and paid special attention to the classification of those non-executive directors who have served on the board for longer than nine years (i.e. three consecutive terms) and who have reached the age of 71. The independence status of the long-serving independent directors was formally reassessed in accordance with the recommendations of King IV™. The NomCom's detailed findings in this regard are recorded above under the heading Classification of independent non-executive directors. The NomCom has concluded that each director still exercises objective judgement and, accordingly, recommended that these directors should continue to serve on the board and its committees in the capacity of independent non-executive directors. All the non-executive directors on the board were therefore classified as independent.

Composition and meetings

Throughout the year under review, the committee comprised four independent non-executive directors, all of whom satisfied the requirements of section 94(4) of the Companies Act and the recommendations of King IV™.

The composition of the NomCom, which has been reviewed by the NomCom and endorsed by the board, meets with and exceeds the recommendations of King IV™ and the composition stipulations of the JSE LRs, namely the committee comprises solely non-executive directors, all of whom are independent non-executive directors. This promotes transparency and moderates the risk of biased decision-making.

The NomCom traditionally meets annually unless special circumstances arise that require the scheduling of additional meetings.

The composition of the committee and the attendance of meetings by its members for the year under review are set out below:

Member	Attendance (two meetings)
J de V du Toit (Chairperson)* BAcc, CA(SA), CTA, CFA	1/2
PK Quarmby^ CA(SA)	2/2
IN Mkhari† CA(SA)	1/1
Z Fuphe‡ BSocSci	1/1

* Retired as chairperson of the board on 18 November 2021.

^ Appointed as chairperson of the board on 18 November 2021.

† Retired on 18 November 2021.

‡ Appointed to the social and ethics committee on 18 November 2021.

> Nomination committee attendance was 88%

Key focus areas for 2022

- Reviewing and updating the board succession plan
- Reviewing and updating the director training and induction programme
- Reviewing the classification of directors and evaluating the independence of the long-serving non-executive directors
- Reviewing the board and board committee composition

Investment committee

Purpose

The purpose of the investment committee is to consider and either support or oppose management's submissions to the board in respect of any mergers, acquisitions and/or disposals of companies, shares in companies and/or businesses and any significant capital projects or significant capital requirements. The committee must consider whether proposed investments are aligned with the board-approved strategy for the group.

Mandate

The investment committee's current mandate includes the following specific responsibilities:

- to review and either support or oppose management's submission to the board relating to any capital expenditure item in line with the KAP approvals framework;
- to review and either support or oppose management's submission to the board relating to any corporate action in line with the KAP approvals framework;
- to consider the scope of any due diligence investigations regarding any investments as proposed by management;
- to review management's recommendation to the board of the most appropriate funding and/or financing structure for any investment;
- to inform the audit and risk committee of any identified risk or related issue in respect of any investment proposal; and
- to review each concluded investment no sooner than 12 months and no later than 24 months after the effective date of such transaction. The review will assess each transaction against its executive summary and transaction justification to determine the extent to which the projections, assumptions and key objectives have been realised.

Composition and meetings

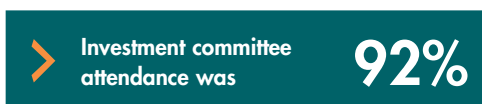
The investment committee meets as and when required by the chairperson of the committee or on the request of either a committee member or any director of KAP.

The composition of the committee and the attendance of meetings by its members for the year under review are set out below:

Member	Attendance (three meetings)
PK Quarmby (Chairperson) CA(SA)	3/3
GN Chaplin* CA(SA)	3/3
TC Esau-Isaacs^ CA(SA)	0/1
KJ Grové AMP (Oxford)	3/3
SH Müller BAcc (Hons), CA(SA), Sanlam EDP	3/3
FH Olivier* CA(SA)	3/3

* Executive director.

^ Appointed 1 July 2022.



Key focus areas for 2022

- Recommending the DriveRisk business acquisition
- Reviewing the suitability of KAP's dividend policy
- Share buy-backs
- Black empowerment ownership proposal

The guarantee and financial assistance subcommittee

This subcommittee comprises three members, the majority of whom are executive members. The committee attends to the day-to-day obligations relating to the granting of financial assistance by the company, including financial assistance to related or interrelated companies as contemplated by sections 44 and 45 of the Companies Act. All decisions of the committee are presented to the board for consideration and endorsement.

The treasury subcommittee

This subcommittee comprises three members, the majority of whom are executive members. The committee attends to the day-to-day obligations relating to general banking matters and transactions, including facilities and loans, guarantees, suretyships and other security documents. The committee also oversees the operation of KAP's domestic medium-term note programme.

BOARD COMMITTEE EVALUATIONS

During the year under review, evaluations were conducted of the board and the following board committees, in line with the annual work plan of every board committee:

- Audit and risk committee
- Social and ethics committee
- Human capital and remuneration committee
- Nomination committee

No areas of material concern were highlighted, and each of these board committees confirmed that their mandates had been discharged effectively during the year under review.

ROLE OF THE COMPANY SECRETARY

The company secretary is appointed by the board. At the board meeting held on 15 May 2018, the board appointed a juristic person, namely KAP Secretarial Services Proprietary Limited ('KSS'), as the secretary of the company and its subsidiaries, joint ventures and trusts. The company secretary was concurrently appointed as secretary of the standing committees of the board.

All directors have access to the advice and services of the company secretary. In serving the board, the company secretary draws on the collective skills sets of the four below-mentioned KSS directors and the dedicated support of employees in other corporate functions:

- K Gey von Pittius
- RH Louw
- SE van Loggerenberg
- JMWR Pieterse

The KSS directors collectively have experience and expertise in the fields of, among others, general management, mergers and acquisitions, secretarial services, treasury, funding, finance, law and governance.

The company secretary is responsible for, among others, the duties as set out in section 88 of the

Companies Act, as well as for ensuring compliance with the JSE LRs. The company secretary acts as a central source of information and advice to the board and the company on matters of ethics and good governance. It also ensures that the proceedings and affairs of the board, its committees and the company itself are properly administered in line with applicable laws. The KAP secretariat is the custodian of the statutory records of the company and all its subsidiaries in South Africa. It acts as the central contact point between KAP and the various company secretaries (or agents) in other territories, who are responsible for complying with the relevant foreign corporate legislation and regulations.

During the year under review, a company secretary charter was approved by the board, which formalises the mandate of the company secretary.

As part of its annual review process, the board satisfied itself as to the relationship between KSS and its shareholder, KAP. It was also satisfied with the support services rendered by other relevant corporate functions, as well as the competence, qualifications and experience of the KSS directors.

In the most recent appraisal of the performance of the company secretary, the board concluded that the secretarial services were rendered on an arm's-length basis and on market-related terms, and that the company secretary had adequately performed its role in an independent manner, including that as gatekeeper of good governance in the group.

The company secretary has unfettered access to the board and the board has empowered the company secretary to carry out its functions.

The certificate required to be signed by the company secretary in terms of section 88(2)(e) of the Companies Act appears on page 4 of the financial statements.

EXECUTIVE COMMITTEE

Purpose

The KAP executive committee (the 'Exco') is a management committee chaired by the CEO. The Exco provides collective oversight of the execution of strategy, operational performance and governance of KAP. During the year under review, a new Exco charter was developed to ensure that the committee operates under a clear and comprehensive mandate in line with the KAP corporate governance framework.

Mandate

The Exco provides oversight over the following:

- implementation of the group and divisional strategies and achievement of the strategic KPIs and targets as approved by the board;
- the financial, operational and sustainable performance of the group;
- the group's capital structure, including investor relations, significant movement in shareholding and treasury activities;
- risk, compliance and assurance in support of the group and divisional strategies through the review of assurance reports in line with the combined assurance model, including, among others, in respect of:
 - the enterprise risk management process and the monitoring of risk at group and divisional level, including insurance;
 - compliance, which includes but is not limited to the JSE LRs, the provisions of the Companies Act, tax, health and safety, environmental, IFRS, competition law and labour law;
 - internal audit;
 - the ethics hotline and fraud disclosures;
 - legislative updates;

- litigation instituted by or against KAP and/or its divisions;
- sustainability and ESG;
- B-BBEE compliance and achievement of targets;
- human capital, including the KAP and divisional employee value propositions;
- KAP's relations with stakeholders, including employees, regulators, government, social, environmental and industry interest groups, as well as the communities in which the group operates;
- ICT strategy execution and assurance findings;
- corporate brand and communication; and
- corporate governance, including group-wide policies and procedures and associated corporate governance practices.

It also performs such other functions as may be determined by the CEO from time to time.

Composition

The Exco consists of the KAP CEO, CFO, corporate affairs executive, the chief executive officers of the key subsidiaries, and select corporate services executives. The following individuals are standing invitees to the Exco meetings with observer status only:

- the chief audit executive;
- the chairperson of the KAP board; and
- the lead independent non-executive director of the board.

KEY SUBSIDIARIES

KAP operates its diverse portfolio through nine key subsidiaries, which are all wholly owned (with the exception of Unitrans Supply Chain Solutions Proprietary Limited):

- PG Bison Proprietary Limited
- KAP Automotive Proprietary Limited
- Restonic Proprietary Limited
- Safripol Proprietary Limited
- fairtech products Proprietary Limited
- Unitrans Supply Chain Solutions Proprietary Limited (55% owned)
- Unitrans Africa Proprietary Limited
- Unitrans Passenger Proprietary Limited
- DriveRisk International Proprietary Limited

The governance framework of the KAP Group defines reporting lines between divisional level and the board to ensure that the divisions' approach to strategy and corporate governance remains in line with KAP's overall strategy, its policies and governance practices. While the divisional boards retain their statutory powers of decision-making, decisions on group strategy and other material matters are reserved for the KAP board, as set out in more detail in the KAP board charter and the KAP approvals framework.

RISK AND CONTROL

Financial control and reporting

The board is responsible for ensuring that the group companies maintain adequate records for reasonable, accurate, timeous and reliable reporting on the financial position of the group and the results of its activities. To assist the board in effectively discharging this duty, financial reporting procedures and disciplines have been implemented at all levels across the group. The board is responsible for ensuring that reports issued by the company are true and correct and contain reliable information that enables stakeholders to make informed assessments of the group's performance and prospects.

During the year under review, oversight of key controls in the group was elevated to facilitate a more formalised approach by management in reporting on the status of internal financial controls to provide the audit and risk committee and the board with enhanced assurance for reporting purposes.

Enterprise risk management

Risk management in the group is subject to a comprehensive governance process, which complies with the recommendations of both King IV™ and current best practice. The board remains ultimately accountable for risk management and the group's compliance with all governance and legislative requirements. The board sets risk management policy and determines the group's risk tolerance and appetite levels. The board has tasked the audit and risk committee with the ongoing governance of risk management, which includes processes to ensure the effectiveness of risk management within the group. Management is responsible for the implementation of risk management and the identification, analysis and mitigation of the risks within their areas of responsibility, as well as the effective use of risk management data as a decision-making tool.

The group has taken an approach of setting policy and methodology for risk management centrally, coupled with a decentralised approach to implementation within the divisions. The enterprise risk management policy sets out risk tolerance and appetite, while the enterprise risk management framework stipulates risk management methodologies and tools. Divisional compliance to tolerance and appetite guidance, as well as the effectiveness of risk management implementation, is monitored through the group's various governance structures, and the use of the group's combined assurance framework.

Financial risks such as liquidity (funding) risk, currency risk and interest rate risk, as well as certain risk mitigation controls, such as insurance, are largely controlled and/or arranged centrally.

The group risk management policy has been updated for approval by the board, after recommendation by the audit and risk committee. In addition, the enterprise risk management framework has been approved by the audit and risk committee. The KAP approvals framework authorities have been reviewed and updated at both corporate and divisional level.

Internal control systems

The responsibility for ensuring the effectiveness of the internal control systems across the group rests with the board. However, the board has delegated implementation of the group's systems of risk management and internal control, including financial control, to executive management. The group's systems of internal controls, which are embedded in all key operations, provide reasonable, although not absolute, assurance that the company's business objectives will be achieved, subject to defined risk tolerance levels.

As part of a three-year risk-based audit cycle, KAP internal audit has provided the audit and risk committee with written assurance that the controls, governance, risk framework and regulatory compliance environments evaluated across the group are generally acceptable in terms of the adequacy of design and effectiveness of their operation. The risk of cyberattacks and related network security remain prevalent, but have been partly mitigated by improvements in controls and oversight.

A robust process is in place in terms of the internal audit methodology to ensure that any key control improvement areas identified during audits and consulting engagements receive management's attention to ensure implementation of remedial plans for the mitigation of risks and the further enhancement of the KAP control environment.

An internal financial controls improvement programme was executed during the period under review to ensure the adequacy of the internal financial control environment.

Where practical, and taking into account the diversity and geographical spread of the group's operations, a unified approach to the group's control systems has been adopted.

Budget

The group undergoes a comprehensive annual planning and budgeting process. The group and divisional annual budgets are subject to review and approval by the board. A financial reporting system compares actual results achieved with monthly budgets in order to identify any deviations from approved plans and to allow timely corrective action to be taken. Monthly management accounts are reported to the Exco. Review of the financial performance of the group is a standing item on the agendas of the Exco, the audit and risk committee and the board. Financial performance reports are presented to the audit and risk committee and the board at least four times a year.

Internal audit

Internal audit provides an independent, objective assurance and consulting service to the group. The service provided is designed to add value and improve operations. It assists the group to accomplish its objectives by providing a systematic, risk-based, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes, in compliance with the best-practice corporate governance standards required by the group and the divisional audit and risk committees.

The internal audit function reports to the KAP audit and risk committee, and also submits reports to the divisional audit and risk committees. By carrying out independent reviews of financial, ICT internal controls and operational systems, the internal audit function assists executive management and the respective audit and risk committees in discharging their responsibilities effectively.

The group's internal auditors operate in terms of an internal audit charter under the direction of the audit and risk committee, which approves the scope of the work to be performed. Significant findings are reported to both executive management and the KAP audit and risk committee, which monitors that corrective action is taken by management to address the identified internal control deficiencies.

During the year under review, the audit and risk committee implemented the execution of the EQAR in line with the standards of the IIA. While certain areas were highlighted for improvement, the committee is satisfied with the effectiveness and performance of the internal auditors, that they had fulfilled their mandate during the year.

The committee is also satisfied that the internal auditors and the chief audit executive have the necessary resources, budget, standing and authority to enable them to discharge their functions effectively. However, after careful consideration, taking into account escalating regulatory and

reporting requirements, the speed of technological advancement, the increasingly specialised nature of internal audit and the scale and complexity of the group, the committee decided to outsource the internal audit function to an independent specialist. Following an extensive closed-tender process, which was concluded in July 2022, Deloitte was appointed to serve as the company's independent internal audit service provider for a period of five years with effect from 1 September 2022.

External audit

In accordance with the recommendation of the KAP audit and risk committee and endorsement by the KAP board of directors, shareholders have appointed KPMG Inc. as the external auditor of KAP for the financial year ended 30 June 2022. Mr IM Engels, a registered and accredited auditor and director of KPMG, was appointed to lead the audit.

The report of KPMG for the year under review, which details the key audit matters and significant risks, is available on pages 5 to 9 of the annual financial statements.

The external auditor reports on its audit findings to the KAP audit and risk committee and to the divisional audit and risk committees. The external auditor has unrestricted access to the chairperson of the KAP audit and risk committee and is afforded the opportunity to meet with committee members in private, without any executives or management representatives present.

Before the appointment of KPMG, the KAP audit and risk committee interrogated the JSE accreditations of the firm and their assigned auditors, in accordance with statutory and good practice requirements. The committee also reviewed the Independent Regulatory Board of Auditors public inspection report for the year under review to reassure itself of the suitability and integrity of KPMG to serve as the auditor of the group.

KPMG has confirmed in writing its independence in undertaking the audit for the year under review.

A policy for the use of the external auditor for non-audit services is in place and is reviewed on a regular basis. During the year under review, fees earned by the external auditor for non-audit services, including taxation advice and assistance with government grants, amounted to R27 180, which represents 1.7% of the total audit fee. KPMG confirmed that the rendering of the non-audit services did not affect its independence. The audit and risk committee concurred with both statements of independence.

Additional information on the external auditor is contained in the audit and risk committee report on pages 10 to 12 of the financial statements.

Combined assurance

Combined assurance refers to the integration, coordination and alignment of all risk management and assurance processes across the group to optimise and maximise the level of governance and control oversight of the risk landscape, providing stakeholders with an increased level of confidence and assurance.

The board delegates certain of its duties and functions to various committees, group forums or the CEO, without abdicating its own responsibilities. In line with the King IV™ principles, the audit and risk committee is responsible for monitoring the appropriateness of the group's combined assurance model and ensuring that significant risks are adequately addressed. The audit and risk committee ensures that the group's combined assurance model adequately addresses key risks and material matters through the aggregated efforts of assurance providers. By continually optimising the group's combined assurance model, duplicative efforts are avoided, and collaborative efforts are rationalised upstream among assurance providers, coupled with effective management of assurance costs. These activities

are coordinated to maximise the depth and reach of assurance achieved by each of the assurance providers. This enables an effective control environment and ensures the integrity of information used for reporting and decision-making.

The combined assurance provided by internal and external assurance providers and management is sufficient to satisfy the audit and risk committee that significant risk areas within the group have been adequately addressed and suitable controls exist to mitigate and reduce these risks.

Combined assurance embraces all assurance activities in a coordinated approach across the following lines of defence:

- Management oversight (1st line) – people, systems and controls
- Management of risk, compliance, governance and legal (2nd line)
- Internal audit (3rd line)
- Independent external assurance (4th line) – external audit, other external assurance providers

Good progress has been made with refining the group's combined assurance framework and expanding the coordination between the lines of defence, resulting in improved assurance. These processes undergo ongoing refinement, with specific focus on the mapping of all assurance providers against key risks identified in the various risk registers, together with mitigating controls, to provide a comprehensive combined assurance model.

A combined assurance forum oversees the combined assurance activities of KAP.

Information and communications technology

ICT forms an integral part of the group's management and reporting processes. A formal ICT charter has been adopted by the group, which is supported by a defined framework of ICT internal controls. The ICT charter sets out the responsibilities

and authority delegated by the board to the executive management of the company and its subsidiaries, for the effective use and management of ICT, to support the achievement of the group's objectives. The board evaluates significant ICT investments and expenditure via the budget approval process.

An ICT risk management framework has been implemented in the group, as required by the charter, with the purpose of providing the board with reasonable assurance regarding the security, availability, integrity, confidentiality and privacy of the group's information assets. The divisional businesses have established formal ICT steering committees, which are chaired by divisional executives, to oversee that ICT internal controls are appropriately executed and that any risks posed by the service delivery chain, infrastructure and digital strategies are addressed. Further oversight is provided by internal audit to ensure adherence to the group ICT charter and frameworks.

Specific attention is given to cybersecurity and data protection. A group information security forum has been established to oversee the global cybersecurity landscape, the risk and maturity roadmap, and stakeholder training. KAP continues to invest in ICT infrastructure, including backup and recovery solutions, to improve operational resilience. The group has made good progress in implementing data privacy awareness and compliance processes, in line with the Protection of Personal Information Act. Privacy compliance, in the form of policies, procedures, guidelines and training, is an ongoing process across the group, to ensure continual legal compliance with data privacy legislation.

KAP is committed to managing its information assets in a manner that complies with all relevant legislation, protects the rights of all stakeholders, enables sound decision-making, and promotes transparency.

ETHICS AND ACCOUNTABILITY

Ethics hotline

The board exercises ongoing oversight of the management of ethics. The responsibility for the implementation and execution of KAP's code of ethics is delegated to management. The code of ethics commits the group and our employees to the highest ethical standards of conduct and compliance with applicable laws and regulations. The code, which is available on our website, also governs conduct relating to:

- anti-bribery;
- anti-competitive behaviour;
- compliance with laws;
- confidential and proprietary information;
- conflicts of interests;
- ethical dealings;
- gifts;
- health and safety;
- insider trading;
- labour practices and human rights;
- protection of the environment;
- record-keeping; and
- sustainability.

The code of ethics is supplied to new employees as part of the group's employee induction process. Major suppliers of goods and services are required to ensure that they comply substantially with the provisions of the code, as embodied in the group's supplier code of conduct.

The group operates a confidential ethics hotline for the anonymous reporting of suspected unethical business practices or other acts of impropriety. The hotline service is branded and marketed as KAPREF (KAP referee). All reports received are evaluated and investigated on a confidential basis and material matters are reported to the board on a quarterly basis. The ethics hotline has proven its value in identifying fraud and incidents of unethical



behaviour. To maintain a high level of awareness, employees are regularly reminded of this facility and urged to report all circumstances or situations in which they have reason to suspect unethical activity or other acts of impropriety

For the review period, no material incidents of non-compliance with the code of ethics, fines or prosecutions for non-compliance with laws or regulations were recorded.

A subsidiary of the company and the Competition Commission of South Africa are involved in legal proceedings relating to allegations that the subsidiary may have potentially contravened section 4(1)(b)(i) of the Competition Act (price-fixing/anti-competitive behaviour) in the period between 2009 and 2016. The company has actively cooperated with the Commission in this regard and has applied for immunity from prosecution in terms of the Commission's corporate leniency policy. The matter is ongoing and a comprehensive explanation of the matter is available on our website.

Politically exposed persons

In general, politically exposed persons/domestic prominent influential persons (collectively 'PEPs') are individuals who have been entrusted with prominent public positions. Due to their position and influence, their position may potentially be abused for the purpose of money laundering, corruption, bribery, fraud and related activities. South African legislation has extended the definition of a potential PEP. It includes individuals who hold, or have held, a prominent public function (such as political party members, senior government and parastatal officials, senior justice and law-enforcement officials, as well as directors in the private sector of entities that provide goods or services to an organ of state). All PEPs are deemed to be a risk because they may be able to leverage their prominence.

In view of the events in South Africa around state capture and other unethical incidents, all KAP business operations annually investigate whether there are areas of risk in their businesses in which PEPs could be involved. This exercise is fully aligned with the goals and purposes of the 10 Principles of the United Nations Global Compact and the nine instruments of the Organisation for Economic Co-operation and Development regarding the fight against corruption and bribery, as well as improving ethical conduct and managing conflicts of interest. The exercise confirmed that each KAP division/corporate department has appropriate controls and procedures in place to screen, identify and effectively monitor the conduct of PEPs that may be involved in business relationships with KAP. The results of the most recent exercise confirmed that KAP is not exposed to a major PEP risk.

In addition to the above, the KAP board charter has been updated during the year under review to regulate the process around the potential appointment of a PEP as a director on the board of KAP or on the boards of its subsidiaries or joint ventures. Measures include appropriate background and media checks of potential candidates, as well as ongoing monitoring after appointment to ensure that the conduct of the PEP remains aligned and compatible with the ethical values and behaviours of KAP for continued membership on the board. At present, there are no PEPs serving on the KAP board or on the boards of any of its subsidiaries, and to the best of management's knowledge, also not on any joint venture boards.

PEP risk-mitigating measures are advocated by King IV™, the Companies Act, the Financial Markets Act, the Financial Intelligence Centre Act, and the rules of the JSE LRs, and are promoted in KAP's supplier code of conduct and the group's code of ethics.

Insider trading

KAP has an insider trading policy, which prohibits directors, prescribed officers and officers of the company and its major subsidiaries from dealing in the company's shares, either directly or indirectly, while in the possession of unpublished price-sensitive information concerning the business and affairs of the group and its subsidiaries. The policy also prohibits the dissemination by employees of price-sensitive information pertaining to the company.

In addition to this general prohibition, no director, prescribed officer or officer may trade in the company's shares during restricted periods determined by the board or during the biannual closed periods prior to the announcement of the group's results. All dealings by affected persons in the company's shares during so-called open periods must receive the prior approval of the CEO. Dealings in the company's shares by the CEO must receive the prior approval of the chairperson, and dealings in the company's shares by the chairperson must receive the prior approval of the CEO.

A report of any dealings in the company's shares by directors, prescribed officers and officers is tabled at each board meeting and all share dealings by the directors of the company, directors of any major subsidiaries and the company secretary are disclosed via the Securities Exchange News Service ('SENS') of the JSE.

During the year under review, KAP's internal assurance processes identified a non-executive director share transaction that was not reported timeously. The oversight, which was due to miscommunication between the director and his broker, was immediately reported to the JSE via the company's JSE sponsor, and the transaction was belatedly disclosed on SENS.

Interest in contracts and business judgement rule

All employees must disclose, as and when appropriate, any interest in contracts, any related-party transactions, as well as relevant shareholding to allow for the assessment of any conflict of interests. This policy extends to directors, prescribed officers and the company secretary. Declarations of personal financial interests are tabled at the commencement of board meetings.

During the year under review, the group obtained a legal opinion regarding a pragmatic methodology to be applied to mitigate the executive directors' liability relating to their multiple intergroup cross-directorships as contemplated in section 75 and elsewhere in the Companies Act. Against this background, the directors understand their fiduciary duties to act in the best interests of the particular company on whose board they serve.

Compliance with the prescribed standard of directors' conduct, including fulfilment of the requirements of sections 75 and 76 of the Companies Act and principle 1.1 of King IV™, is strictly enforced, i.e. when any conflicts arise during debate, these are declared and recorded in the minutes and, if applicable, the procedures set out in Companies Act are duly followed.

Given the comprehensive and judicious conflicts-of-interest regime followed by the group, the directors are well protected against the threat of liability. This is further supported by directors' and officers' public liability insurance. In instances in which directors have taken reasonably diligent steps to be well informed, have based their decisions on rational and justifiable grounds, have acted in the best interests of the company and with the necessary degree of care, skill and diligence that may reasonably be expected of persons carrying out the same functions, strong reliance is placed on the principles of the business judgement rule as set out in the Companies Act.

STAKEHOLDER COMMUNICATIONS AND INVESTOR RELATIONS

KAP values its relationships with both institutional and retail investors. A proactive approach has been adopted to ensure that communiqués relating to the group's performance, strategy and outlook are conducted appropriately.

Regular structured dialogue with internal and external stakeholders, who include investors, not only informs them of the group's strategies and targets, but also provides the group with their input. This informs our decision-making and facilitates the building and retention of sustainable, stable and mutually beneficial relationships. Communications with journalists and analysts are governed by a policy adopted by the group to ensure maintenance of the confidentiality of price-sensitive information in respect of the group.

The KAP CEO, CFO and the investor relations executive of the company regularly attend investor conferences and interact in a structured manner with investors, sell-side analysts and the media during its half-year and full-year results presentations. From time to time, various stakeholders, including the media, attend the company's AGM.

At least biannually, KAP publishes an operational update communiqué on SENS which provides transparent guidance to stakeholders relating to the financial results of the group. This communiqué, together with the half-year and full-year results, provides structure to stakeholders' discussions.

The company's remuneration policy and the remuneration policy implementation report were adopted by more than 75% of the eligible votes that were cast at the 2021 AGM. The company therefore did not need to engage with stakeholders in this regard. The company's process of engaging with dissenting shareholders regarding the group's remuneration policy and the implementation and remuneration disclosure is set out on pages 84 to 91 of the integrated report.

More information on stakeholder matters is contained in the various stakeholder reports in the integrated report and on our website.

GOING CONCERN STATEMENT

The group financial statements have been prepared on the going concern basis as the directors, having made appropriate enquiries, have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. The external auditor concurred with the board's going concern view.

CONCLUSION

The board is satisfied with the manner in which the group has applied the recommendations of King IV™ to achieve good performance and effective control, while maintaining legitimacy and an ethical culture. Governance processes are reviewed on an ongoing basis to align with legislative and regulatory changes, to reflect changes in the business, and to ensure that the processes and the group's governance status remain relevant.

The directors of KAP confirm that, to the best of their knowledge, KAP has complied with the provisions of the Companies Act and has operated in accordance with its MOI during the reporting period.



